



Submission to the Inquiry into  
Academic freedom

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## About the IPA

The Institute of Public Affairs (IPA) is a Melbourne based public policy think tank established in 1943. The IPA is registered with the Australian Taxation Office as a not-for-profit research institute undertaking economic and social policy research. The IPA works closely with the corporate sector, and business and industry associations.

The IPA is currently undertaking research in policy areas such as fiscal policy, government regulation, workplace relations, environment policy, and state government policy and governance. Our research outcomes are published widely in the national media and the IPA's own publications.

## About the Author

Sinclair Davidson is a Professor of Institutional Economics in the School of Economics, Finance and Marketing at RMIT University. He has published over fifty articles in academic journals, including the *European Journal of Political Economy*, *Journal of Economic Behavior and Organization*, *Journal of Behavioral Finance*, and the *Cato Journal*. He is a regular contributor to public debate. His opinion pieces have been published in *The Age*, *The Sydney Morning Herald*, *The Australian Financial Review*, *The Australian* and the *Wall Street Journal Asia*.

## Introduction

The Institute of Public Affairs (IPA) are of the view that allegations of academic bias are simply a symptom of a deeper governance problem that besets Australian Universities. Despite substantial rhetoric relating to student-centred learning and the like, Australian universities are producer-centred organisation under managerial control. There is no incentive for them to be responsive to student demand for greater diversity and improved educational accountability. Consumer sovereignty and stakeholder accountability is lacking in the Australian University system.

The IPA submission consists of two short articles written by Professor Sinclair Davidson setting out these arguments in greater detail. The first article 'University research: The need for paying customers' was published in the January 2008 issue of the IPA Review. The second article 'The intellectual gap goes to university' was published in the September 2008 issue of the IPA Review.

# University research

## The need for paying customers

Sinclair Davidson

James Buchanan—the founder of the Public Choice School in economics—has recently re-released his autobiography. First published in 1992, *Better than plowing and other personal essays* related the story of how a poor farm boy from Tennessee made his way in the world and had come to win the economics Nobel Prize. This year, Buchanan published *Economics from the outside in: 'Better than plowing' and beyond*. The first twelve chapters are reproduced from the 1992 book and another four chapters make up the new book. As always with Buchanan, it must be read carefully to capture the full meaning and nuance.

### Do academics add value?

Buchanan makes the argument, in his final chapter, that 'there is no ordinary *quid pro quo* between the academician and the institution, organization, or person for whom he nominally "works", and who pays his salary....' This is not an unusual attitude amongst academics. Henry Rosovsky, emeritus professor and former Dean of the Faculty of Arts and Sciences at Harvard University, relates a story about the famous historian Ernst Kantorowicz (1895–1963) who refused to take a McCarthy-era oath of loyalty required by the California University system. Professor Kantorowicz refused not because he held strong views about McCarthyism itself, he may well have, but because he argued that professors should not be considered employees in the usual sense. Rosovsky opines that 'professors have the income of civil servants but the freedom of artists'.

Buchanan is responding to the argument put by the late Robert Staaf of Clemson University, 'that

academic life is fraudulent, that all of us are engaged in a gigantic shell game aimed at the exploitation of the general public'. Buchanan, of course, does not agree with Staaf—academic life is not fraudulent—but, more importantly, he also does not agree with the more common arguments for public funding of universities and public research. Buchanan argues that the notion that academics produce research as a by-product of advanced teaching is an argument that 'must be rejected out of hand'. The academic, Buchanan says, struggles with ideas themselves and observers (that is, students) are irrelevant to that struggle.

Another argument that Buchanan partially rejects is the well-known down-stream benefits argument. Some practical benefit will come out of university research at some point in the future and so we should subsidise it now. (I wrote about the myths of infinite return and unfettered research in the December 2006 issue of the *IPA Review*.) Buchanan argues that this argument could only be true in the sciences, but never in the humanities. In the end, Buchanan argues that people aspire not to satisfy their existing wants, rather they aspire to better wants and this is the role of the 'thinking classes' and 'scientist-philosophers'—helping people to aspire to better wants. Consequently, 'society at large' is willing to support universities.

This is a fine argument, to be sure; it may even be correct. The difficulty relates to the notion of 'society at large'. How individuals choose to spend their own after-tax income is their own business. Universities, however, expect to be supported out of individuals' pre-tax income. It is not at all clear that the taxpayer should be funding the idle speculation of academics. This criticism is made somewhat difficult by the fact that Buchanan himself has been unusually prolific in his career and is widely considered to have been an excellent teacher. As he says, 'The fact that my interests were always well within the boundaries of academic propriety gave me the sense of openness required for energized effort'.

Adam Smith, an academic for most of his life, had a poor view of universities. He took the view that universities need not be funded by the taxpayer—indeed, he suggests that taxpayer funded universities are likely to do a poor job at educating students. He tells us that professors at Oxford have 'given up altogether even the pretence of teaching'. Smith held the view that universities should teach.

In order for people to earn an income, Smith argued that they

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need to ‘execute a certain quantity of work of a known value’ and, in a competitive environment, must do so ‘with a certain degree of exactness’. As regards academics, Buchanan seems to disagree with this statement. How would anyone ever know the value of academic work? This, of course, is always an important question. In the absence of a market, value can never be determined with any accuracy.

Smith then explores how academics might be monitored. The most obvious form of monitoring is self-monitoring, or peer-review as it is known in academic circles. Peer-review for research purposes probably works better than any other method, yet it is not without its problems. Yet, in general, as Smith suggests, academics are likely ‘to be all very indulgent to one another, and every man to consent that his neighbour may neglect his duty, provided he himself is allowed to neglect his own’.

A second mechanism whereby universities and academics are monitored is by some external body such as government. Here all the external body can do is specify the hours taught or the subject taught. Brendan Nelson was opposed, for example, to ‘cappuccino’ subjects. The external body cannot actually ensure diligent teaching. Smith argues that this type of monitoring will be ‘exercised

both ignorantly and capriciously’.

Paying customers, however, are unlikely to tolerate poor behaviour. Smith makes the point that teaching is best where there are no public institutions. For example, when a young man ‘goes to a fencing or a dancing school, he does not indeed always learn to fence or dance very well; but he seldom fails of learning to fence or to dance’. In short, if people’s livelihood is independent of their efforts, they will often—but not always—tend to do less rather than more. Smith makes this point very strongly in the case of universities.

### **The possibility of paying customers**

Paying customers are a foreign concept at Australian universities. Indeed it is mostly foreigners who pay for their university education. The notion of fee-paying Australian students has met with much resistance from academics, academic unions and some political parties. There are many arguments against the notion that students, or their parents, should pay for their own education. Yet few ever consider that paying customers would demand better education.

George Stigler has argued that ‘all public aid to higher education for teaching should be given to students,

not to universities’. Stigler, known for his dry wit, recognised this to be a ‘dangerous proposal for what the economist calls “consumer sovereignty”’. Some might be tempted to argue that the Higher Education Contributions Scheme (HECS) is indeed such a proposal. That, however, is not the case. HECS is a loans scheme, not a voucher scheme. The government strictly controls the number of HECS places and the distribution of those places.

Universities should have to earn their way in the world by collecting money from paying customers—just like every other organisation does. Some of those paying customers may be happy to pay on the basis that ‘philosopher-scientists’ create better wants. Other paying customers may be happy to pay for the education they receive. Importantly, satisfied alumni are likely to make financial contributions to their alma mater, whereas dissatisfied paying customers may make no such contribution. Indeed, HECS may crowd out alumni donations in Australia. Although Australian universities have commercialised over the past 20 years, consumer sovereignty is still to be introduced.

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# The intellectual gap goes to university

Major reform is needed to fix the problem of academic bias, argues **Sinclair Davidson**.

**F**ollowing a campaign by the Australian Liberal Students Federation, a Senate committee is investigating the level of intellectual diversity at Australian universities. It is well-known that academia—and more often than not those who are university educated—have a left-wing progressive bias.

The best and most comprehensive analysis of that left-bias comes from the United States. A recent US study found that 72 per cent of 1,643 academics identified themselves as being ‘liberal’ in the US sense and only 15 per cent as being ‘conservative’. US academics are more likely to have left-wing views than the population and also to have views that are more progressive than the average.

Australian universities are unlikely to be much different. Anecdotal evidence supports the notion that Australian academics have left-wing views, and that these views may spillover into the classroom. One self-identified Greens Party member told his first year law foundations class that ‘I believe my role at the university is to teach you my opinion and [for] you to learn from it.’

Similarly a communications lecturer described John Howard and his ‘blue-eyed Aussie cultural jihadists’ as the true fundamentalists endangering Australian society. These may well be isolated incidents and there could even be plausible explanations for this type of political commentary. There is nothing inherently wrong with holding firm political

and economic opinions—even left-wing opinions.

The real issue lies in the consequences of that progressive bias. Progressive intellectual bias permeates the entire university structure before it reaches the classroom. In other words, classroom bias is a symptom of a larger problem.

For example, many conservatives allege that conservative academics are less likely to receive research funding, or be promoted, that conservative ideas are less likely to be taught in the classroom, and conservative ideas would be discouraged amongst the student population.

The overwhelming dominance of a single world-view within the university system generates and reinforces a series of misconceptions about university education.

The first myth is that good universities require substantial public funding. Certainly, good quality is never cheap. Yet many Australian academics would rather campaign for more public funding than work for more private funds. Nowhere is this more apparent than the incessant left-wing campaign against the so-called commercialisation of universities. This campaign has taken on an ugly undercurrent of vilifying international students.

The second widespread view is that universities exist primarily to promote an egalitarian society. The great irony is that many academics are both intellectual snobs and, often, intellectual bullies. Yet schemes to attract ever more students from low socio-economic backgrounds continue to be devised; never mind that individuals from those backgrounds may not want to attend university. Af-

ter a generation of either free or highly subsidised university fees, there is at the moment no financial impediment to university education.

## **Academia in Oakeshott's absence**

The greatest conservative philosopher of the twentieth century, Michael Oakeshott, has described education as the initiation of a human being into their inheritance of human achievement. In his 1950 essay ‘The idea of a university’ Oakeshott describes a university as being ‘a corporate body of scholars’, ‘a home of learning, a place where a tradition of learning is preserved and extended’.

There is nothing in Oakeshott's formation about public funding or egalitarianism. And we would be hard pressed to find an Australian tertiary course that prescribes Oakeshott as a required, or even recommended reading. It seems that he is not part of our intellectual inheritance—at least, not according to the Australian academic community. This could be due to his view that ‘a university will have ceased to exist when its learning has degenerated into what is now called research, [and] when its teaching has become mere instruction’. Indeed that explains exactly what Australian universities have become. But a more likely culprit for his absence from Australia's intellectual life is Oakeshott's reputation as a conservative thinker that has seen him written out of our intellectual heritage.

He is not alone. Many, if not most, economics students will never have heard of Friedrich von Hayek. This is an even greater oversight than Michael Oake-

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shott—Hayek won the 1973 economics Nobel Prize. James Buchanan, the 1986 economics laureate, has explained why Hayek has been written out of economics education and not just in Australia. Buchanan argues that, following the publication of *Road to Serfdom*, Hayek could never have returned to being a technical economist. He had 'politicised himself, and for the wrong cause, an unforgivable sin in the intellectual atmosphere of mid-century'. That academic sin remains beyond the pale even today—at least for those outside the left establishment.

George Stigler, the 1981 Nobel economics laureate, wrote a lot about academic freedom and intellectuals in the marketplace. Stigler makes the very important point that it is prosperous capitalist economies that can best support a large comfortable intellectual class.

Not only does capitalism provide for better universities, but Stigler also tells us that capitalists 'have personally been strong supporters of intellectuals, and in particular those in the academic world'. Far from being anti-intellectual, captains of industry 'are remarkably tolerant of almost everything except a mediocre and complacent faculty'.

But, of course, most academics and intellectuals oppose the capitalist economy.

## What happened?

How did this state of affairs come about? Both Joseph Schumpeter and Hayek provide a theory of intellectuals. Schumpeter's is a theory of incentives; intellectuals are forever questioning and attacking social institutions. Hayek provides a psychological argument—intellectuals are rationalist and require detailed ex-

planations of all phenomena. It is not enough that something should work in practice; it also needs to work in theory. Hayek makes the prediction that the more intelligent an educated person is the more likely they are to hold socialist views.

Of course, universities are full of highly intelligent and educated people. It is important to point out that there is no conspiracy of academics and intellectuals to create a soft-left bias at universities.

Rather, the capitalist system itself creates incentives that interact with human psychology to create such institutions. The solution to this turn of events revolves around the application of free market principles to universities; in particular, consumer sovereignty and stakeholder accountability.

In the case of universities it is possible to combine these two principles.

Australian students make a modest financial contribution to their university costs through the Higher Education Contribution Scheme (HECS). The government allocates HECS places to universities and sets the HECS payment. Students face a Hobson's choice when going to university. While many universities talk about having student centred learning programs, the student funding system is very much a producer centred system. Adam Smith warned against such an education system.

He argued that public education 'is in general contrived ... for the ease of the masters' while those parts of education 'for the teaching of which there are no public institutions, are generally the best taught'. The government could empower students by making HECS funding portable. Students who are dis-

satisfied with their university education should be able to seek out another provider and take their funding with them.

Fully portable HECS places would require universities to substantially improve their teaching performance beyond the rhetoric of student-centred learning.

After graduation most students have a personal debt, but no other attachment to the university education system.

Yet graduates have the greatest interest and incentive to preserve the reputations of their alma mater. In many respects they are akin to being shareholders in the university. The alumni, however, play no role in university governance at all.

University councils are long overdue for major reform. At best they are self-perpetuating oligarchies. Adam Smith had recognised the corporate governance problem inherent in universities. Self-governance leads to idleness and complacency, while external governance may be arbitrary and capricious. The external monitor may have little knowledge of the internal workings of a university. The alumni, however, have an intimate knowledge of the university and by virtue of their qualifications have an incentive to improve the university quality standards and reputation.

The alumni should elect representatives to the university council to ensure that universities reflect the interests and concerns of their past students.

After all it is those students who can best determine the quality of the student centred learning that they have received. And their values will permeate through the institution, at least partly mitigating the problem of academic bias.

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